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C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 000231

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SUBJECT: POLAND: MOE ATTEMPT TO STOP OIL TANKER LOADING

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Classified By: Econ Counselor Richard Rorvig, reasons 1.4 b and d

11. (C) Summary: J&S Executives report that Minister of Economy Wozniak requested that the company not load an oil tanker during the recent Druzba oil pipeline shutoff, a request the company denied. J&S currently supplies 50% of Poland's crude, but is diversifying in Europe, the U.S. and Canada. The company is changing its name to Mercuria, plans to float an IPO on the Warsaw Stock Exchange in 2007 and hired CNN's David Ensor to handle its public relations. Advice on the feasibility of Poland's long-term energy strategy provided by the company was ignored by the GOP. End Summary.

Minister Wozniak Asks J&S Not to Load Tanker

12. (C) In a 26 January 2007 meeting with Grzegorz Zambrzycki, CEO of J&S Energy, and Jarek Astramowicz (Amcit, strictly protect), CEO of J&S Holdings, Zambrzycki told Econoff that the Polish Ministry of Economy (MoE) asked J&S on January 10 to stop loading oil onto an outbound ExxonMobil tanker ship. The request, which came from Minister Wozniak himself, followed the January 8 Russian shutoff of the Druzba oil pipeline. Zambrzycki refused to honor the request, telling the Minister that he did not have the right to interfere with his company's commercial operations. According to Zambrzycki, the GOP wanted to control commercial oil supplies in Poland as an initial measure before resorting to its strategic oil reserves. Zambrzycki speculated that in a worst case scenario, the tanker could have been forced to turn back after it had loaded and departed. (Note: J&S Energy owns and operates oil storage and terminal facilities near the Polish port of Szczecin. End Note.)

12. (C) Zambrzycki claimed to have known from the beginning that the oil dispute between Russia and Belarus would be quickly settled. Laughing at previous Polish media allegations that he has a direct telephone line to Russian President Putin, he explained that he does business with approximately 30 Russian oil suppliers which Putin does not control. Zambrzycki said that minutes after the pressure was

turned back on at the Russian end of the pipeline, he received an SMS message on his cell phone saying "Pressure Up". Two hours later, oil was flowing again at his end of the pipeline. Zambrzycki noted that while Putin controls nearly all of Russia's gas supply, he only controls 18 percent of Russia's oil supply; the rest is controlled by the independent private companies that J&S purchases from.

J&S Supplies 50% of Poland's Crude

13. (C) Altogether, J&S supplies just under 50 percent of Poland's crude oil. J&S has contracts through 2009 to supply PKN-Orlen with 6 million tons of oil per year, and Lotos with 2 million tons of oil per year. Zambrzycki said that PKN-Orlen recently stopped spot orders from J&S. He expressed some doubts about Russia's long-term capacity to serve as an oil supplier to Europe. This is not only due to diminishing supply, but also increasing demand on Russian oil from China. In the future, Zambrzycki believes that Russia will be able to pick and choose where it wants to sell its oil at the highest prices, and that China has cash and pays its bills on time.

J&S Diversification Plans and New Name - Mercuria

14. (C) Zambrzycki said that J&S is diversifying its interests, including three new biodiesel refineries in Europe, a new oil refinery in Canada, and new oil exploration in the U.S. J&S has an oil field in California that is showing huge potential based on initial drillings of 2 of 21 planned wells. Zambrzycki also believes that oil will remain above 50 dollars per barrel because if it does not, "several companies stand to lose massive investments into new Canadian

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refineries." Astramowicz noted that J&S will soon change its name to Mercuria, and is planning an IPO in 2007 on the Warsaw Stock Exchange. He confirmed that J&S already completed an audit and chose its investment bank for the IPO.

Zambrzycki also noted that J&S recently hired former CNN correspondent David Ensor to manage J&S's public relations. According to Zambrzycki, Ensor's presence already reigned in journalists at Wprost and Puls Biznesu, which he claimed had mercilessly slandered J&S with help from the GOP.

GOP Asks for Advice and Ignores It

15. (C) Astramowicz said that the GOP asked J&S to privately advise them on its planned energy security policy. Astramowicz told the GOP that none of its three main ideas would work. First, the Norwegians had repeatedly stated that they do not have enough gas to sell to Poland, so a new pipeline is unrealistic. Second, Poland will not be able to find suppliers for a new LNG port, which will sit unused if it is built at all. Third, extending the Odessa-Brody pipeline to Plock and re-reversing its flow is not economically feasible for an investor without massive government subsidies to offset its financial losses. Astramowicz further noted that such a move would still not guarantee the removal of Russia from the oil supply chain. Astramowicz concluded that the GOP had ignored his advice.

16. (C) Comment: Zambrzycki is a controversial figure in Poland, and the GOP makes no secret of its dislike for him and J&S. Minister Wozniak's request that the company not load an oil tanker during the recent Druzba oil cut-off is confirmation that the GOP still does not understand the role that commercial companies can and should play in an economy and the limits of governmental intervention. We are not surprised that the GOP ignored J&S's advice on its energy

security strategy as the government continues to ignore reasonable, commercial-based counsel as it single-mindedly pursues its objectives. End Comment.

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